LUK LAMELLEN UND KUPPLUNGSBAU GMBH

v.

SOUTH EAST ASIA CLUTCH INDUSTRIES SDN BHD

HIGH COURT MALAYA, KUALA LUMPUR
DATO' ABDUL AZIZ MOHAMAD J
[ORIGINATING MOTION NO: D4-25-9-1991]
29 AUGUST 1996

TRADE MARKS: *Proprietorship – Respondents registered in the Register as proprietors of trade mark – Trade mark being used by applicants prior to registration – Whether applicants an aggrieved person – Whether registration obtained by fraud – Whether fraud perpetrated on Registrar of Trade Marks – Whether trade mark offended s. 14(a) Trade Marks Act 1976 – Exercise of discretion by Judge – Whether there was mala fides – Whether applicants guilty of delay – Trade Marks Act 1976 ss. 14(a), 45(1)(a).*

The applicants, a German company, were well-known manufacturers of vehicle parts, including clutch discs and clutch related items, under the LUK trade mark. The trade mark was first registered in Germany in 1954 and later on in other countries where the products were sold. The respondents were incorporated in Malaysia in 1975 and have since been manufacturing, distributing and selling clutch discs in Malaysia, including those of LUK's which they obtained from the applicants' agent in Malaysia, one Jebsen & Jessen.

On 25 January 1977, on the respondents' application, the respondents were registered in the Register of Trade Marks, West Malaysia, as the proprietors of the LUK trade mark. The applicants claimed that they had been using the LUK trade mark in Malaysia even prior to 25 January 1977, and were therefore the lawful proprietors thereof. They alleged that the respondents had perpetrated fraud on the Registrar (of Trade Marks) when effecting the said registration, and in the event applied, for an order under s. 45(1)(a) Trade Marks Act 1976 for the entry in the Register in respect of the respondents' registration be expunged. This application was made in 1991, ie, some 14 years after the respondents' registration.

The facts also showed that the respondents had not only marketed their products under the LUK trade mark, but had also done so in packages whose get-up is practically identical to that used by the applicants in their packages when selling the products in Malaysia. Apparently, the only difference being that in the respondents' packaging the name of the applicants was replaced with the name of the contents in German and by its side was pasted a label "Pemasangan oleh: S.E.A INDUSTRIES SDN. BHD.".

Before the learned Judge the issues that arose were:

(i) whether the applicants were an aggrieved person under s. 45(1)(a).

(ii) whether the applicants were the lawful proprietors of the trade mark in Malaysia by virtue of their use of it before the respondents registered it.

(iii) whether the registration was obtained by fraud.

(iv) whether the trade mark offended against s. 14(a) in that its use was likely to deceive or cause confusion to the public.

(v) whether the Court ought to exercise its discretion under s. 45(1)(a).

Held:

[1] Bearing in mind the admissions by the respondents that there were sales of the applicants' goods in Malaysia before 25 January 1977, albeit that the volume was allegedly small and insignificant, it must be taken as a fact that the applicants had been using the trade mark in Malaysia before that date. The applicants must be the lawful proprietors of the trade mark, and were an aggrieved person because the respondents had registered the trade mark as theirs.

[2] The label "Pemasangan oleh: S.E.A. CLUTCH INDUSTRIES SDN BHD" on the respondents' packaging is material. Clearly, if that is what the respondents mean when they say that at all times they clearly represented to the public that their LUK products were made by them, that is not what the label conveys. It merely says that the product was assembled by them, which is different from saying it was made by them.

[3] The entire evidence points to the respondents being aware of the fact that the applicants were the lawful proprietors of the trade mark in Malaysia before 25 January 1977. The respondents' claim that they had requested Tan of Jebsen & Jessen, the applicants' sole agent, to register the mark, is a clear admission that the trade mark belonged to the applicants.

[4] In applying for and obtaining registration of the trade mark as theirs, the respondents claimed that they were the proprietors of the trade mark. Since they were not, it was a false claim made for a dishonest purpose. It was a falsehood practiced upon the Registrar to achieve a result that was adverse to the interests and rights of the applicants as the lawful proprietors of the trade mark. The registration by the respondents of the LUK trademark was thus obtained by fraud.

[5] Going by the words of s. 14(a), what need to determined is whether the use of the LUK trade mark by the respondent "is likely to deceive or cause confusion to the public". However, to establish the likelihood of

deception or confusion, it is not requisite that the applicants must first establish that they had acquired a reputation in Malaysia in respect of the LUK trade mark.

[6] It is highly probable that in 1991 the applicants' products were known in the motor industry in Malaysia, including among mechanics and spare parts dealers, as well as to those motorists and motor-vehicle owners who made it a point to know what was good in the market. These people were likely to be deceived into thinking that the respondents' products were the applicants' products. The use of the trade mark, particularly in the distinctive get-up of the applicants, was therefore, in that sense, likely to cause confusion to prospective buyers of the products. The position would not have been any different in 1977 when the trade mark was registered except in degree. This was so because the applicants' products had been sold for several years before that.

[7] The consequence alleged by the applicants of the use of the LUK trademark by the respondents (ie, to cause deception and confusion) is thus true. The facts also pointed to the fact that such a consequence was intended by the respondents when they applied to register the trade mark. The conclusion was inescapable that the reason the respondent used the trade mark and such get-up for their products – instead of using their own trade mark and distinctive get-up – was to achieve that result.

[8] The applicants could not be said to have constructive notice when the respondents' registration was gazetted in 1978. Nor could the communication between the respondents and Tan constitute constructive notice to the applicants of the registration of the trade mark. In the circumstances, the contention that the applicants were guilty of delay, or of *mala fides*, and therefore discretion under s. 45(1)(a) ought not to be exercised by the Court in favour of the applicants, is unsustainable. As it is, to sustain the allegation of *mala fides*, there must actual knowledge then of the registration, of which there was no evidence here. The applicants therefore must succeed.

[Application allowed. Order accordingly]

Cases referred to:

Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd. [1984-1985] CLR Vol 156, p. 146 *"GYNOMIN" Trade Mark [1961] RPC 408* ***(foll)***

Re The Registered Trade Mark "Yanx", ex parte Amalgamated Tobacco Corporation Limited [1951] 82 CLR 199 ***(dist)***

Farley (Aust.) Proprietary Limited v. JR Alexander & Sons (Queensland) Proprietary Limited [1946] 75 CLR 487 ***(dist)***

Sanita Manufacturing (Malaysia) Sdn. Bhd. & Anor. v. Chanchai Aroonratanawongse [1987] 2 MLJ 219 ***(dist)***

"Bali" Trade Mark [1969] RPC 472 ***(foll)***

Hai-O Enterprise Bhd v. Nguang Chan @ Nuang Chan Liquor Trader (a firm, intervening) [1992] 4 CLJ 1985 ***(foll)***
Gaines Animal Foods Ld's application for a Trade Mark [1958] RPC 312 ***(not foll)***
Vitamin Ld's Application for a Trade Mark [1956] RPC 1 ***(not foll)***
Davidoff Extension SA v. Davidoff Commercio E Industria Ltd. [1988] 1 MLJ 234 ***(not foll)***

Legislation referred to:
Trade Marks Act 1976, ss. 12(1), 14, 25, 32, 37(b), 45(1)(a)
Trade Marks Act 1938 (UK), s. 11

Other source referred to:
On Trade Marks And Passing Off, Narayanan, 2nd Edn., paras. 510 & 511

For the applicants - Ambiga Sreenivasan (T Siow with her); M/s. Skrine & Co.
For the respondents - WM Chang; M/s. Raja, Darryl & Loh

JUDGMENT

Abdul Aziz Mohamad J:

The applicants, a German company, are well-known manufacturers of vehicle parts, including spare parts, under the LUK trade mark. The letters forming the trade mark are the first letters of the word "Lamellen Und Kupplungsbau" in the applicants' name. The trade mark was first registered in Germany in 1954 and later in other countries where the applicants' goods were sold. The vehicle parts that feature in this case are clutch discs or clutch plates, and clutch-related items. The applicants supply clutch items and other products of theirs to the makers of a wide range of motor vehicles of reputable names.

The respondents were incorporated in Malaysia in 1975 and have since been manufacturing, distributing and selling clutch discs in Malaysia.

On 25 January 1977, on the respondents' application, the respondents were registered in the Register of Trade Marks, West Malaysia, as the proprietors of the LUK trade mark in respect of clutch discs for motor vehicles. The registration number is M/74107.

This is an application by the applicants, made on 4 July 1991, for an order under s. 45(1)(a) of the Trade Marks Act 1976 expunging the entry in the Register of Trade Marks relating to the entry in the Register of Trade Marks relating to that registration. Counsel for both sides have agreed that the issues to be considered in this application are the following:

(a) Whether the applicants are an aggrieved person under s. 45(1)(a).

(b) Whether the applicants are the lawful proprietors of the trade mark in Malaysia by virtue of their use of it before the respondents registered it.

(c) Whether the registration was obtained by fraud.

(d) Whether the trade mark offends against s. 14(a) in that its use is likely to deceive or cause confusion to the public.

(e) Whether, even though issues (a), (b), (c) and (d) are answered in the affirmative in favour of the applicants, the Court ought to exercise its discretion under s. 45(l)(a).

Issues (c) and (d) arise because the registration of the trade mark has been on for more than seven years and s. 37 provides that in such a case the registration shall be taken to be valid in all respects unless one of several things is shown. Issues (c) and (d) concern two of those things that the applicants seek to show, although they need not show both; either will do.

Aggrieved Person and Lawful Proprietor

Learned Counsel for the applicants took the two issues together. The position in law taken by her is simply this, that the first user of a trade mark in a country becomes the lawful proprietor of the trade mark in that country and if another person subsequently registers the trade mark as his, then the lawful proprietor becomes an aggrieved person. Even a very small amount of prior use in the country is sufficient to make the prior user the lawful proprietor.

The applicants claim that they had been using the trade mark in Malaysia prior to 25 January 1977, the date it was registered by the respondents, and therefore they are the lawful proprietors.

Learned Counsel for the respondents did not appear to dispute those propositions of law. The aim of his submission on those two issues was merely to show that the evidence available, by which the applicants sought to prove prior use in Malaysia, did not prove that the applicants' goods bearing the trade mark ever arrived, or were ever received, in Malaysia before 25 January 1977. That means that he took the narrow view that, in law, the applicants cannot be said to have been using the trade mark in Malaysia before 25 January 1977 unless goods bearing that trade mark that the applicants sold from Germany had arrived, or were received, in Malaysia before 25 January 1977.

In view of the cases referred to in the Australian case of *Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.* [1984-1985] CLR Vol. 156, pp. 414-446, at p. 433, I do not think he was right in adopting such a narrow view of the law. But even on that narrow view I cannot accept that no goods of the applicants arrived or were received in Malaysia before 25 January 1977. There are a number of invoices in 1974, 1975 and 1976 [pp. 138, 139, 140, 143, 144, 145, 147, 148, 150 and 151 of the exhibits to encl. (2)]. I do not find it probable, after considering what has been said for both sides in the affidavits about those invoices, that none of the orders arrived in Malaysia before 25 January 1977. I do not think it necessary for me to analyse other documentary evidence that has a bearing on the question because, besides documentary evidence, the respondents have made certain admissions in their affidavits.

In paras. 4 and 5 of their affidavit in reply to the applicants' affidavit in support of this application, they say:

> 4. The respondent admits the applicants' goods have been sold in Malaysia during the 1970's through their sole agents ...
>
> 5. The respondent also admits that during the 1970s respondent and its related company, one Wan Tai Auto Company had purchased the applicants' goods through the said sole agents.

In para. 13 of that affidavit, referring to the time before the trade mark was registered, they say: "At that time in 1977 the applicants' sales in Malaysia were small and insignificant".

In para. 9 of the respondents' affidavit dated 5 May 1993, it is said:

> 9. Oleh itu saya sekali lagi menegaskan bahawa kuantum jualan pemohon di Malaysia amatlah sedikit sekurang-kurangnya bagi tempoh sebelum 25 Januari 1977.

Those are clear admissions that there were sales of the applicants' goods in Malaysia before 25 January 1977 albeit that the volume was allegedly very small and insignificant.

I therefore find that the applicants had been using the trade mark in Malaysia before 25 January 1977 and that, by virtue of that, they are the lawful proprietors of the trade mark, and they are an aggrieved person because the respondents have registered the trade mark as theirs.

Fraud

I proceed now to set out the facts that are or may be relevant to the issue of fraud and the other issues.

The applicants have been selling their goods bearing the LUK trade mark in Malaysia since the 1970s through their local agents. Among the customers of the applicants since the 1970s were Wan Tai Auto Company ("Wan Tai"). In 1973 the applicants' sole agents in Malaysia were Jebsen & Jessen, through whom Wan Tai and others ordered the applicants' goods. After the respondents were incorporated in 1975 they also, apart from manufacturing and selling their own clutch discs and clutch-related items, had been ordering such goods bearing the LUK trade mark from the applicants through Jebsen & Jessen. The respondents and Wan Tai were associated companies. The goods ordered from the applicants by Wan Tai, the respondents and others were in turn sold by them in Malaysia.

Although in ordering the goods the respondents went through Jebsen & Jessen, there was an occasion on 22 April 1976 when they wrote direct to the applicants to ask them to revise to their name all proforma invoices and shipping documents relative to Wan Tai.

There is a dispute as to the volume of sales of the applicants' goods in Malaysia before 25 January 1977, with the respondents claiming the amount to be very small and insignificant and the applicants claiming otherwise. The applicants have not given figures or proof of the volume exported to Malaysia before that date.

According to the respondents, in 1976 they found out that the LUK trade mark had not been registered. They say in para. 9 of their affidavit dated 16 October 1991 that they were "concerned that should (they) pursue and market the applicants' products (their) efforts may be in vain as there was no protection by way of a registered trade mark". So at about that time, a director of the respondents, Lim Imm Tong, discussed the matter with a Mr. Tan, the Automotive Spare Parts Manager of Jebsen & Jessen, the applicants' sole agents in Malaysia, and expressed the respondents' concern to Tan. Lim requested Tan, as a request to the applicants, to register the mark so that the respondents could safely market the applicants' goods under that trade mark. Lim told Tan that if the applicants failed to register, the respondents would register the mark under their name and market the applicants' products as well as the respondents' own products under that trade mark. When the applicants failed to register, on 25 January 1977 the respondents registered the trade mark as theirs. The respondents state it was their belief that, since in 1977 sales of the applicants' products in Malaysia were insignificant, the applicants were not interested in penetrating the Malaysian market heavily and so were not interested to register the trade mark.

The applicants deny all that. They say that at no time were Jebsen & Jessen or Tan authorized to deal with the applicants' trade mark, which they jealously guarded, and that they would not allow anyone else to apply for registration of their trade mark. The applicants maintain they did not know at all about the respondents' alleged request through Tan.

The respondents claim that after they registered the trade mark they embarked on a marketing programme for LUK products and produced their own clutch plates and marketed them under the LUK trade mark. I take it that at the same time they were also selling the applicants' products under the LUK trade mark. They claim that at all times they clearly represented to the public that their LUK products were made by them, not by the applicants, and that they never represented to the public that the applicants' products were made by them, the respondents. They claim that their marketing and advertising programme increased sales of their LUK products so that between 1977 and 1991 the average turnover was about RM30,000 per month. As a result, the Malaysian market had come to identify the LUK trade mark with the respondents, not the applicants.

The applicants do not admit any of those claims and have asked for strict proof of all of them.

The respondents have not only marketed their products under the LUK trade mark, they have also done so in packages whose get-up is practically identical to that of the applicants' packages in which they have been selling their products in Malaysia since the 1970s. The identical features include even the use of German, English, French and Spanish to describe the contents of the packages. There are two types of packaging. Any difference between the applicants' and the respondents' packaging is in the packaging of only one of the two types, where the differences are that in the respondents' packaging the name of the applicants has been replaced by the name in German of the contents and that there is pasted at the side a label that says "Pemasangan Oleh: S.E.A. Clutch Industries Sdn. Bhd. ...", the respondents. If that is what the respondents mean when they say that at all times they clearly represented to the public that their LUK products were made by them, that is not what the label conveys. It merely says that the product was assembled by them, which is different from saying it was made by them.

The respondents say that they used the European words because they intended some day to penetrate the export market but the applicants deny that and say that the respondents have not at any time exported their products to the English-speaking countries or France or Spain where the applicants are the registered proprietors of the LUK trade mark.

I have already found that the applicants were the lawful proprietors of the trade mark in Malaysia before 25 January 1977. The entire evidence points to the respondents being aware of that fact. In addition, their claim that they had requested Tan of Jebsen & Jessen, the applicants' sole agents, to register the mark is, whether the claim is true or not, a clear admission that they knew the trade mark belonged to the applicants. If that claim were disregarded, what we have here are the following circumstances. The respondents imported and sold the applicants' clutch items bearing the applicants' LUK trade mark. The respondents also manufactured clutch items. Knowing that the LUK trade mark belonged to the applicants, the respondents applied for and obtained registration of the trade mark as theirs in respect of their products. In making the application they must have claimed that the trade mark belonged to them because, by s. 25 of the Trade Marks Act 1976, they had to claim that they were the proprietors of the trade mark in order to qualify to apply. Since they were not, it was a false claim made for a dishonest purpose, which was to become the registered proprietors of a trade mark that belonged to somebody else. It was a falsehood practised on the Registrar to achieve a result that was adverse to the interests and rights of the applicants as the lawful proprietors of the trade mark. After the registration, the respondents continued to market the applicants' products and their own products, both bearing the LUK trade mark, in packages whose respective get-ups were practically identical one to the other.

As to the respondents' claim about the request made to Tan of Jebsen and Jessen, it sounds remarkably hollow to me. It seems to me hypocritical to make the request professedly out of concern to see that the applicants' products were safely marketed under a registered trade mark when the result of failure to respond to the request would be that it was the respondents' products that would be marketed under that trade mark. It is more likely that the real concern of the respondents from the beginning was to appropriate the applicants' trade mark for their products. There is suspicious casualness in the manner in which the respondents profess to have raised with Tan the matter of the registration of the trade mark. I accept the applicants' averments as to the position of Jebsen & Jessen, and of Tan, in the matter of trade marks. They were mainly importing agents. They were not a branch of the applicants in Malaysia. They would not have been given the authority to deal with such important policy matters as the registration of trade marks. Yet it was Tan that the respondents' director went to see and it was to Tan that he gave the "ultimatum". It was such an important matter and yet it was all done verbally. And the respondents have not said anything as to how Tan responded. Tan must have responded somehow. It is probable that Tan had said that he had no power to deal with trade mark matters and had asked the respondents' director to write direct to the applicants about it. If Tan had said he would apply for registration or he would communicate with the applicants about it, the respondents were not justified in concluding from the applicants' failure to register that they were not interested to register without first following up with Tan to ascertain developments. If Tan had said nothing, then the respondents' director had been speaking to a blank wall and the respondents were not justified in coming to any conclusion from the fact that subsequently the applicants still had not registered the trade mark. That is why it is important to know what Tan's response was. The omission to state Tan's response lends an air of furtiveness to the reliance on the discussion with Tan for the conclusion that the applicants were not interested to register. For such a serious business proposition, the respondents should have formally communicated in writing directly to the applicants. After all, they once did write direct to the applicants on 22 April 1976 about the invoices and shipping documents relative to Wan Tai.

For those reasons I have serious doubts about the truth of the alleged discussion with Tan or about whether the whole truth about that discussion has been revealed. Even if there had been such a discussion with Tan, for the same reasons it does not have any value in justifying the respondents' registration of the trade mark, which they seek to justify on the basis that, as they claim they believe, the applicants were not interested to register the trade mark.

So the circumstances that I have stated earlier, before I entered upon a consideration of the matter of the discussion with Tan, remain unaffected. The primary reason why the applicants claim that the respondents' registration of the trade mark had been obtained by fraud is because, in applying for

registration, the respondents falsely claimed they were the proprietors of the trade mark. It was fraud directly on the Registrar, and indirectly on the applicants and the public as well.

For claiming fraud in that sense the applicants rely primarily on the decision in the case of *"GYNOMIN" Trade Mark* [1961] RPC 408, where the decision on that point is in the following words at p. 414:

> Secondly, it is clear from the evidence that the respondents were well aware of the ownership and use by the applicants in Australia of the name *'Gynamin'*, and in my opinion, in view of the close relationship between the parties and the respondents, knowledge of the information which I have held was communicated to them in confidence, they were not entitled to claim to be the proprietors of the trade mark *'Gynomin'*, as required by s. 17(1) of the Act. In my view, the fact that they so described themselves amounts to 'fraud' within the meaning of s. 13.

I agree, and for the reasons that I have given, that the registration by the respondents of the LUK trade mark was obtained by fraud.

Learned Counsel for the respondents argued on the basis of that passage from *Gynomin* that there cannot be fraud unless there is such a close relationship between the parties that there is a duty on one to act in good faith to the other and that such relationship did not exist in this case. I think that is a misreading of the case and that passage. As should be apparent from a careful reading of that passage, what was decided in that case was fraud that took the form of the applicants for registration describing themselves as the proprietors of the trade mark to be registered, when they were not entitled to claim to be so, which is exactly what happened in this case. I would call it, for convenience, fraud on the Registrar. The question in that case of close relationship between the parties and of the respondents having knowledge of information which had been communicated to them in confidence came into play to deny the respondents any claim to be entitled to be the proprietors of the trade mark in question. While in the circumstances of that case those factors may be necessary to negative any claim to proprietorship, it is not in every case that there is a need to negative any claim to proprietorship or to use those factors or any other factor to do so. There may be a case where it is obvious that the respondent was not entitled to claim to be the proprietor of the trade mark, as is this case. Then those factors or any other factor simply do not come in, and if the respondent claimed that he was the proprietor of the trade mark and thereby obtained registration of the trade mark, then, according to *Gynomin*, the registration of the trade mark was obtained by fraud.

Learned Counsel for the respondents cited *Re The Registered Trade Mark "Yanx", ex parte Amalgamated Tobacco Corporation Limited* [1951] 82 CLR 199 for the proposition that it is not fraudulent to register a trade mark

to outwit a competitor. In that case the respondents, who thought that the word *"Yanx"*, together with the get-up, used by the applicants, an English company, for their cigarettes was an attempt to imitate the name and get-up of the respondents' "Bronx" cigarettes, had a trade mark containing the word *"Yanx"* registered in Australia on 30 September 1946. Among the matters alleged by the applicants in seven of their grounds was (at p. 201) that "the entry was wrongly obtained by fraud because on 30 September 1946 the respondent knew that previously thereto the applicant had used a trade mark which contained the invented word *'Yanx'* as a prominent and essential feature on cigarettes manufactured in England for export to Australia and that cigarettes under this trade mark had been offered for sale in Australia and ordered by traders and shipped to Australia before that date". The learned Judge was of opinion that there was no evidence to support those allegations, meaning that, as far as sale of the applicants' *"Yanx"* cigarettes in Australia was concerned, there was no evidence for it. This is what Williams J said at p. 202:

> With respect to these seven grounds it is sufficient to say that there is, in my opinion, no evidence to support them. The registration was, as I have said, admittedly made to forestall the applicant and prevent it selling cigarettes in Australia under the name of *'Yanx'*. To try and register in Australia a word which the applicant to the knowledge of the respondent is using elsewhere on its cigarettes is sharp business practice. But it is not in itself fraudulent or a breach of the law.

The decision went the way it did because the applicants had not been selling their *"Yanx"* cigarettes in Australia before the respondents registered the trade mark or there was no evidence that they had. It might have gone difficultly if there had been such evidence. In the instant case, the applicants had been selling their LUK products in Malaysia before the respondents registered the LUK trade mark, by reason of which the applicants were and are the lawful proprietors of the trade mark.

In attempting to show the kind of circumstances that would constitute "fraud", learned Counsel for the respondents cited the cases of *Farley (Aust.) Proprietary Limited v. JR Alexander & Sons (Queensland) Proprietary Limited* [1946] 75 CLR 487 and *Sanita Manufacturing (Malaysia) Sdn. Bhd. & Anor. v. Chanchai Aroonratanawongse* [1987] 2 MLJ 219. Those cases are, however, concerned with fraud in different circumstances and do not preclude fraud of the kind in the instant case, which is fraud on the Registrar. Such type of fraud did not fall to be considered in those cases because that was not the kind of fraud alleged there. Nevertheless, *Farley's* case did recognise fraud on the Registrar, as is evident from the following passage at p. 493:

> A registration of a trade mark procured by fraud, whether another trader or the Registrar was defrauded, would be equally open to attack. In most cases a registration obtained in fraud of the rights of another trader would also involve a fraud on the Registrar.

Having decided that the registration of the trade mark in this case was obtained by fraud, the applicants should succeed in this application if I were also to rule in their favour on the issue of the Court's discretion and I need not decide on the issue under s. 14, but I shall nonetheless proceed to do so.

Section 14(a)

The question here, which is one under s. 37(b), is whether "the trade mark offends against s. 14", which, as far as material to this case, say:

> 14. A mark ... shall not be registered as a trade mark –
>
> (a) if the use of which is likely to deceive or cause confusion to the public ...

As the arguments on this issue went, the real question to be determined is that of the likelihood of the use of the LUK trade mark by the respondents deceiving or causing confusion to the public.

One controversy that arose on this question was over the point – which Lord Wilberforce in the case of *"Bali" Trade Mark* [1969] RPC 472 described at p. 499 (lines 2 and 3) as a "difficult point" – of the proper time for the purpose of testing the likelihood of deception or confusion. Is it the time of application for registration of the LUK trade mark in this case or the time of the making of the present application? In that case the House of Lords did not have to decide the point because the parties had agreed that the time was the date of application for registration of the trade mark to be expunged (p. 493 lines 29-33).

Learned Counsel for the applicants argued that the statement in *Hai-O Enterprise Bhd v. Nguang Chan @ Nuang Chan Liquor Trader (a firm, intervening)* [1992] 4 CLJ 1985, at p. 2002 C right, that "The relevant time is now" is correct.

Learned Counsel for the respondents maintained that the time is the time of registration, and not now, and he placed reliance for that on paras. 510 and 511 of Narayanan *On Trade Marks And Passing off*, second Edn. Those paragraphs come under the heading "Material date for considering ss. 11 and 12(1)". Section 11 there is of the Indian statute, which corresponds to our s. 14. The discussion in paras. 510 and 511, however, relates to proceedings in opposition to registration. Two views are presented in those paragraphs. In para 510, it is said: "Obviously, therefore, the existence of the objection under ss. 11 and 12(1) requires to be considered as on the date of the application for registration". In para. 511, it is said: "If so, the material date for considering the existence of the objection which would bring the mark within the prohibition of ss. 11 or 12(1) should be the date on which the mark is put on the register and not the date of application". The choice there is either the date of application for registration or the date of registration, and that is as far as

opposition proceedings are concerned. But as far as rectification proceedings are concerned, there is a part in that book which is specifically about "Rectification based on s. 32". Section 32 there is s. 32 of the Indian statute which corresponds to our s. 37. In para. 950 under that part, it is said: "The crucial date for determining whether the trade mark offends against s. 11 is the date of commencement of the legal proceeding", which I understand to mean the legal proceedings taken on the basis of s. 32 for attacking the registration. That statement appears consistent with the use of the word "offends" in the present tense in para. (b) of our s. 37.

In para. 9 of their affidavit dated 15 November 1991 the applicants say this –

> ... the mere use of the said mark by the respondents has confused and deceived members of the public and/or is likely to confuse and deceive members of the public and purchasers in the market into believing that the respondents are selling the applicants' products or that the products are approved by the applicants or that the products are made by the respondents under licence from the applicants or that the respondents are connected or associated in some way or other with the applicants ...

Following on the facts that I have found in respect of the question of fraud and on the description I have given of the packages or get-up used by the respondents for their products, I am constrained to come to the conclusion that the consequence alleged by the applicants of the use of the LUK trade mark by the respondents is true and, further, that was the consequence intended by the respondents when they applied to register the trade mark. The conclusion is inescapable that the reason the respondents used the trade mark and such get-up for their products – instead of using their own trade mark and distinctive get-up – was to achieve that result.

The applicants have been well-known manufacturers of clutch items and other motor spare parts. Their products have been used in a wide range of makes of motor vehicles, mainly of the prestigious type. Their products had been sold in Malaysia for several years before the respondents registered the trade mark. Although there is no evidence of the actual volume of sales in Malaysia at the time of registration, the applicants aver that sales of their products in Malaysia were not small or negligible. They say that from 1987 to 1989 the average turnover was RM10,000 per month, and from 1990 to 1991, the year of their present application, it was RM20,000 per month. Although there is no concrete evidence to support those averments, I accept it as probable that, since the 1970s, sales of the applicants' products would have steadily increased so as to reach that volume of turnover in the late 1980s and early 1990s. It is highly probable that in 1991 their products were known in the motor industry in Malaysia, including among mechanics and spare parts dealers, as well as to those motorists and motor vehicle owners who made it a point to know what was good in the market. These people were likely to be deceived into thinking that the respondents' products were the applicants' products.

Even if a consumer in 1991 did not know of the existence of the applicants' product or trade mark, on seeing the trade mark and the get-up for the respondents' product, he would be likely to conclude that it was a foreign product and therefore, as there has always been a tendency among certain sections of Malaysian consumers to regard a foreign product from certain countries as good or reliable, that it was good and reliable. I cannot conceive of the respondents, when selling their own products, coming clean and informing the buyer, even when specifically asked, that they were products manufactured entirely by them with no foreign connection whatever. The use of the trade mark, particularly in the distinctive get-up of the applicants, was therefore, in that sense, likely to cause confusion to prospective buyers of the products.

What I have been looking at is the position in 1991, when the present application was filed. I cannot imagine that the position as I have described it could have been any different in 1977, when the trade mark was registered, except in degree. It has to be accepted that in 1977 the market for the applicants' products and the number of people who knew about them were smaller than in 1991. As I have said, the applicants' products had been sold in Malaysia for several years before that and the applicants have averred that the sale of their products at the time of registration of the LUK trade mark was not small or negligible. There was a likelihood that in 1977 the use of the trade mark would confuse people who knew about the applicants' products into mistaking the respondents' products for the applicants' products and would deceive people who did not know about the applicants' products into thinking that the respondents' products that they were buying were some foreign product of quality. As I said, the reason the respondents camouflaged their products to appear like the applicants' products could only have been to deceive or confuse people. Such an enterprise would not have been undertaken unless it was believed that it would achieve its purpose of deceiving and causing confusion.

It is therefore immaterial in this case whether the test of likelihood of deception or confusion is at the time of registration of the LUK trade mark or at the time of the making of this application and I need not form an opinion of my own on the question.

Learned Counsel for the respondents argued that to establish the likelihood of deception or confusion it is requisite that the applicants establish that they had acquired a reputation in Malaysia in respect of the LUK trade mark and he cited *Gaines Animal Foods Ld's application for a Trade Mark* [1958] RPC 312; *Vitamin Ld's Application for a Trade Mark* [1956] RPC; and *Davidoff Extension SA v. Davidoff Commercio E Industria Ltd.* [1988] 1 MLJ 234.

Going by the words of s. 14(a), what I have to find in this case is whether the use of the LUK trade mark by the respondents "is likely to deceive or cause confusion to the public". If there are people who are likely to be deceived or confused by the use by the respondents of the trade mark, then I think it can be said that such use "is likely to deceive or cause confusion to the public". As I have reasoned out, there were such people both at the time of registration of the trade mark and at the time of the making of this application. I am, therefore, quite unable to comprehend in what way it is relevant or necessary, in answering that question, to find whether the applicants have acquired a reputation in respect of their use of the trade mark on their products.

In the *"Bali" Trade Mark* case, *supra,* Lord Upjohn, on the question of the test under s. 11 of the English Trade Marks Act 1938, to which our s. 14 corresponds although not in identical terms, had this to say (at p. 496):

> ... Thus it came about that Evershed, J in *Smith Hayden & Co.'s Application* [1945] 63 RPC 97 formulated the test under s. 11 in these terms (at p. *(sic)* 101 line 40):
>
> (a) (Under s. 11) 'Having regard to the reputation acquired by the name HOVIS, is the Court satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the registration proposed, will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?'
>
> My Lords, I think the learned Judge was wrong to use the words "reputation acquired by"; it should have been "the user of". Of course, in that case there was no difference between those two expressions, as the household word of HOVIS was involved; but in many cases, such as *TRANSFERMATIC,* the difference might be vital.
>
> It may also be said that the *desiderata* that the deception and confusion (in Evershed, J's statement) must be among a substantial number of persons is a matter of judicial gloss. I do not object to this provided it is properly and sensibly applied. Here again, the *TRANSFERMATIC* case is a good illustration of the application of this condition to special circumstances; I think Buckley, J was quite right to overrule the Assistant Comptroller and to reach a different conclusion on the facts of that case. (See [1966] RPC 577 and 578.)
>
> What then is the test? This must necessarily be a question of fact and degree in every case ...

As to what is necessary in order to find that a mark offends against s. 11, His Lordship went on, at the same page, to say –

> ... It is sufficient if the result of the registration of the mark will be that a number of persons will be caused to wonder whether it might not be the case that the two products come from the same source. It is enough if the ordinary person entertains a reasonable doubt, but the Court has to be satisfied not merely that

there is a possibility of confusion; it must be satisfied that there is a real tangible danger of confusion if the mark which it is sought to register is put on the register. And so *mutatis mutandis* when it is sought to expunge a mark.

Exercise of discretion

According to the applicants, they only discovered the respondents' use of the LUK trade mark in or about March 1983. In November 1983, the applicants' agents, through Messrs. Shearn Delamore & Co., wrote to the respondents demanding, *inter alia*, that they immediately cease the use of the trade mark. There followed several negotiations. On 18 April 1985 the applicants changed solicitors to Messrs. Manjeet Singh Sachdev and instructed them to take appropriate action against the respondents. In the meantime negotiations were carried out in order to reach an amicable solution. Messrs. Manjeet Singh Sachdev failed to take further steps on the applicants' instruction and so, in or about July 1989, they changed solicitors to Skrine & Co. The last negotiation took place in August 1989 but no settlement was reached. On 25 October 1985 Skrine & Co. sent a letter of demand to the respondents to withdraw their registration of the LUK trade mark but they refused to do so. On 4 July 1991 the present motion was filed.

The respondents say that the applicants' allegation that they discovered the respondents' use of the trade mark only in 1983 is untrue and mischievous and they allege that the applicants were simply indifferent to the registration and use of the trade mark by the respondents. According to the respondents, the reason the applicants have made this application is that they want to reap the benefit of the respondents' industry which has resulted in increased sales of the respondents' products bearing the LUK trade mark and in the Malaysian public associating and identifying the LUK trade mark with the respondents and not the applicants. The applicants either deny or call for strict proof of those allegations and averments, which has not been forthcoming.

In his submission learned Counsel for the respondents raised the question of delay on the part of the applicants. He said the applicants had constructive notice of the registration of the trade mark by the respondents when the respondents told Tan of Jebsen & Jessen, the applicants' sole agents, of their intention to register the trade mark. He also said that the applicants had constructive notice when the respondents' registration of the trade mark was gazetted on 7 December 1978.

I do not think the communication with Tan constituted constructive notice to the applicants of the registration of the trade mark because what Tan was said to have been told was the respondents' intention to register and not the fact of registration. Moreover, what is more important, the circumstances of the alleged conversation with Tan, as I have said, are too nebulous to amount to constructive notice of anything to the applicants.

I do not think that learned Counsel for the respondents intended to rely on delay *per se* as reason why the Court's discretion ought not to be exercised in favour of the applicants. I think delay was raised as a factor going to *mala fides* on the part of the applicants, which is really one of the reasons why it has been urged that the Court should not exercise its discretion in favour of the applicants. The other reason is that if this application is allowed the respondents would incur losses. The money and efforts they have expended to promote the LUK trade mark through sales of their products would go to waste. I do not think that because of the latter consideration I ought not to exercise my discretion in favour of the applicants because, assuming I am right in finding that the respondents' registration had been obtained by fraud, they have only themselves to blame if they will suffer loss upon the registration being expunged from the Register of Trade Marks. As learned Counsel for the applicants put it, if the respondents had expended time and money to promote the trade mark, they did so at their own peril.

So that leaves only the question of *mala fides* to consider. If the argument is that the applicants had *mala fides* because they knew about the respondents' registration but did not do anything about it because they were not interested to protect their interests and only started to act when they saw it would bring them benefit, then the knowledge must be actual knowledge. Constructive knowledge would not do. Moreover the matter is to be judged not by looking at the time they made this application but the time they first took steps to protect their interests. That was in 1983, the year in which I accept the applicants first knew about the use of the trade mark by the respondents. Looking at the matter that way, the allegation of *mala fides* does not hold water. I would exercise my discretion in favour of the applicants.

Conclusion

For the reasons that I have given, the applicants must succeed in this application and I make orders in terms of prayers 3, 4, 5 and 6 in the notice of motion.

Reported by W.A. Sharif